

THE LEONARD LETTER

A weekly electronic newsletter

from

*Bill Leonard, Member
State Board of Equalization*

November 24, 2003

*“The year that is drawing towards its close, has been filled with the blessings of fruitful fields and healthful skies. To these bounties, which are so constantly enjoyed that we are prone to forget the source from which they come, others have been added, which are of so extraordinary a nature, that they cannot fail to penetrate and soften even the heart which is habitually insensible to the ever watchful providence of Almighty God.” --
President Abraham Lincoln, Thanksgiving Proclamation, 1863*

UNDER THE DOME

*****Unforgettable Inaugural Moment*****

The entire inauguration of Governor Arnold Schwarzenegger was historic, but there was one particular moment I will remember. During the luncheon in the capitol rotunda the Christian Brothers High School choir performed “Ave Maria.” We were all seated on the first floor of the capitol with the marble tile creating a special echo chamber. The choir was positioned above us, on the second floor of the capitol, leaning into the circular wooden railing that surrounds the large opening of the rotunda. Above the choir the rotunda extends heavenward to the capitol dome. As we looked up to the choir, the acoustics brought the vocal arrangement to life. Beautiful voices praising God surrounded us all -- the Governor, Maria Shriver, his cabinet, and the legislature -- adding a spiritual element to the significance of the day.

*****Looming Danger*****

A driving tour of the San Bernardino mountains recently touched by wildfires reveals a perspective that is not be evident from media coverage of the fire’s aftermath. The fire raced up Waterman Canyon and spread across the hillsides, but, for the most part strategic firefighting and weather conditions kept the blaze south of Highway 18. Fire did reach around the east end of Lake Arrowhead and devastated the Hook Creek area of Cedar Glen. That neighborhood looks like a war-zone, with burned out cars crushed by fallen trees and chimney stacks standing tall amid the blackened forest, surrounded by the mounds of ash that were once people’s homes and prized possessions.

While the tragedy of that neighborhood and others who lost their homes cannot be understated, we must turn our attention to what did not burn. The fire burned an estimated five to ten percent of the dead trees. That leaves more than one million dead trees, ravaged by the bark beetle infestation, still standing in the San Bernardino mountains. They cover 350,000 acres stretching from Crestline to Big Bear. Nestled amid those brown giants are \$8 billion of home and businesses. Those structures and the humans who live and work in them are still in grave danger. Local, state and federal officials are now scrambling to fund and implement a program of tree removal to lessen that danger, but even if such a program could begin tomorrow, it would take years to accomplish the work. In the meantime, our mountain communities are still at risk and that risk must be respected.

TAX CORNER

*****Holiday Wrapping***

It seems like a straightforward question: must I charge my customers sales tax for gift wrapping? It almost seems like a straightforward answer (most of the time, yes), but as soon as you delve into those qualifiers, you realize just how complicated an issue this is for a business owner. Unless you are wrapping food items that were nontaxable, you must charge sales tax on gift wrapping. If your business is just doing the wrapping—that is, you did not sell any of the items going into the package—then the entire wrapping is taxable even if the package includes nontaxable food items. Pity the businessowner who wraps a package that includes nontaxable food items and other taxable items. Then you must determine whether the retail value of the food is at least 90% of the overall retail value of the package and if the retail value of the basket it is being packaged in is 50% or less of the total retail value. In doing those calculations, you must keep meticulous records with your receipts to prove you charged the right amount of sales tax. And I am certain that you can easily train every part-time, seasonal employee to make these judgements and do these calculations correctly and quickly when facing a line of tired holiday shoppers. To appreciate the true silliness of this, see the example contained in <http://www.boe.ca.gov/pdf/pub106.pdf>

ISSUE FOCUS

*****Per Pupil, Per Se*****

In a recent Leonard Letter, I discussed the state's education budget and mentioned that California spends more than \$9,300 per student. The Education Intelligence Agency Communique (see www.eiaonline.com) recently discussed why such per pupil spending statistics cannot be the only measurement of education economics. EIA notes that "as with every other economic enterprise on the planet, education is delivered on the basis of marginal costs."

EIA points out that the teachers' unions understand this economic argument "because they use it to argue against vouchers and charter schools." Reg Weaver, President of the National Education Association was asked how vouchers take money away from public education. He responded, "Did the heat bill go down? Did the light bill go down?" No, but EIA points out that the converse of that argument is also true. That is, once the heating and electric bills (as well as the teacher's salary, recess equipment, chalk, textbooks, etc.) are paid for, then each new student who enrolls in a public school is bringing in extra money for that school, or, "as economists like to call it, profits. In their eagerness to score points against private and charter schools, the unions are playing with dynamite. Do they really want the public to make funding decisions on the basis of marginal per-pupil spending? Do they really want to argue that charter schools are eating into their profit?"

*****Sour on School Scores*****

With all the coverage of the fires and inauguration, perhaps you have missed out on the reporting of California's latest standardized test scores. Many areas reported good scores, improved scores, progress. Scholar and columnist Thomas Sowell has a different take on the results, one important enough for me to share here. He notes that education officials say the scores improved once California moved away from the national standards and created its own test. Sowell responds, "In other words, when school children in California were taking the same tests as children in other states, their results were lousy. But, now that we have our own test, results are much better. If you or I or anyone else could make up his own test, wouldn't we all turn out to be geniuses? The idea of gearing the test toward what is being taught in California schools is turning things upside down. The whole reason for giving tests is to find out whether students and schools are up to standards. Obviously, if California schools teach drivel and there is drivel on the tests, everybody looks good." Noting that while 26% of our state's elementary schools were rated "excellent," only 7% of high schools earned that rank, Sowell concludes, "Young schoolchildren in the United States score better, relative to their peers in other countries, but fall progressively further behind the longer they stay in school. What this shows is that American children are not innately less intelligent but that the American school system leaves them falling further and further behind the longer they stay in our public schools."

MISCELLANY

*****Three More Words to Know*****

Each week, the Leonard Letter features a few of the words from a list of 100 words that some educators say every high school student should know. The full list may be viewed at

http://www.houghtonmifflinbooks.com/booksellers/press_release/100words/.

73. Precipitous (adj) --- Resembling a precipice; extremely steep; a sharp drop: *California's tax revenues are not in precipitous danger, but you could never tell this from the liberal drumbeat to raise tax rates.*

74. Quasar (n) --- An extremely distant, and thus old, celestial object whose power output is several thousand times that of our entire galaxy: *The sooner that the Legislature recognizes that Governor Schwarzenegger is the quasar and they are orbiting asteroids, the sooner they will respond seriously to his agenda.*

75. Quotidian (adj) --- Everyday; commonplace: *Although last week's inaugural ceremony was low-key, it was anything but quotidian.*

BOE AND LEGISLATIVE DATES

November 24 --- Sales and Use Taxes: October prepayment for fourth quarter is due. Special relief in the form of one-month extension of time to file and pay taxes or fees is available in those are (Los Angeles, Riverside, San Bernardino, San Diego, and Ventura) the Governor has declared a state of emergency for those who are unable to pay their taxes on time due to the recent wildfires. To request an extension, you must file two forms, BOE 468, Request for Extension, and BOE 27, Penalty and Interest Relief for Disaster Victims. Both are available at www.boe.ca.gov. Or by calling 1-800-400-7115.

December 4 --- BOE meets in Sacramento.

January 5, 2004 --- Legislature reconvenes.

January 27, 2004 --- BOE meets in Sacramento.

NOTABLE DATES/ HISTORY

November 24, 1713 --- Birthday of Father Junipero Serra, established nine of California's missions

November 24, 1871 --- National Rifle Association organized (NYC)

November 25, 1963 --- JFK laid to rest at Arlington National Cemetery

November 26, 1883 --- Sojourner Truth, abolitionist and women's rights advocate, died

November 26, 1789 --- First national thanksgiving

November 27, 1895 --- Alfred Nobel establishes Nobel Prize

November 28, 1895 --- America's first auto race starts; 6 cars, 55 miles, winner averages 7 MPH

GENERAL TAX INFORMATION

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115

TDD service for the hearing impaired

TDD phones: 800-735-2929

Voice phones: 800-735-2922

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